Commenter: WorldCom, Inc. Applicant: Ameritech Michigan

State: Michigan

Other high volume business customers subscribe to Ameritech WATS or WATS Plus for intraLATA service. In June 1995, Ameritech migrated business end user subscribers to its

Feature Group A service to the WATS or WATS Plus services. Ameritech WATS subscribers enjoy intraLATA toll rates (6.99¢ per minute) that are up to 50 percent lower than Ameritech's standard retail rates. WATS Plus customers must sign an 18 month contract, but enjoy intraLATA usage rates (4.99¢ per minute) up to 70 percent lower than the standard retail rates.

MFS cannot compete with these deeply discounted rates when reselling Ameritech's basic business services. Moreover, if a WATS or WATS Plus customer changes carriers, it is foreclosed from ever resubscribing to the service. The prospect of losing out on the substantial usage discounts provided by the WATS and WATS Plus products creates a huge disincentive for Ameritech business customers to switch local exchange carriers.

MFS faces the above-described problems when it is able to actively court customers. There are numerous customers in the market who are served on long term contracts that are about to expire. For Ameritech and its huge embedded customer base, this is simply a matter of placing a call to the customer to see if she is interested in another term contract, usually a pretty easy sale. Without knowledge of those contracts, MFS doesn't have an opportunity to compete for the customer's services free of the burden of term penalties.

Commenter: WorldCom, Inc. Applicant: Ameritech Michigan

State: Michigan

The term and volume contracts that Ameritech has entered into with high usage customers almost guarantee that it will retain its stranglehold on the business market for the long term -- at the very least until the contracts expire. The inability of new entrants such as MFS to compete for these revenues will ensure that Ameritech's dominance of the local exchange market will remain unaffected by Congress' efforts to open the local exchange market to competition.

IV. CONCLUSION

I raise these issues for the purpose of painting a more accurate and realistic picture of the obstacles faced by competitive carriers trying to break into the Michigan local exchange market. Neither facilities-based carriers nor resellers can avoid the anticompetitive consequences of Ameritech's less than acceptable provisioning and operational practices. Until Ameritech provides service to other local exchange carriers at the same level and quality as the service it renders to itself, its affiliates and most favored end users, competition in the local exchange market will not develop in any meaningful way. Ameritech should not be permitted to enter the long distance market before it has satisfied its obligations under Section 251(c) of the Telecommunications Act.

Commenter: WorldCom, Inc.

Applicant: Ameritech State: Michigan Date: June 10, 1997

Exhibit 1

The foregoing statements are true and correct to the best of my knowledge, information and belief.

David J. Schroeder

Subscribed and sworn to before me this 6th day of June, 1997.

Notary Public

My Commission expires:

SUSAN L. CHESHURE Notary Public, Oakland County, MI My Comm. Expires Aug. 24, 2000

Commenter: WorldCom, Inc. Applicant: Ameritech

State: Michigan
Date: June 10, 1997
Exhibit 1

Ameritech Michigan-MFS Cutover Problems

Job	Customer (type of business)	Description of Work	Cut Date	Trunks	Cutover Prøblem
314	Trucking company	Unbundled loop conversion	8/29/96	12	Customer's trunks were disconnected 2 times on 8/28/96. Cut re-scheduled for 8/29/96 at 5:00 P.M. Ameritech disconnected service at 3:00 P.M. Service not working until 5:00 P.M. Customer upset.
381	Broadcast station	CENTREX conversion	9/16/96	32	Ameritech did not begin cut until 8:30 A.M. Customer was completely out of service for 2 hours. Numerous trunks had cable trouble causing "No Dial Tone" and static. Ameritech Tech did not arrive until 3:00 P.M. (After repeated calls)
503	Business	CENTREX conversion	10/4/96	20	Cut delayed by Ameritech to 9:00 A.M. Cutover scheduled for 7:15 A.M.
332	Professional firm	CENTREX conversion	10/15/96	10	Ameritech had cable problems on various CTX trunks. Service 100% by 11:30 A.M. PIC was programmed wrong.
333	Payphone svc	CENTREX conversion	10/15/96	14	Ameritech did not program 3 trunks for Ground Start MFS did not program PIC for MCI.
514	Automotive	Unbundled loop conversion	10/15/96	6	Ameritech cut service before due date.
511	Business	Unbundled loop conversion	10/21/96	4	Ameritech postponed cut. They were not ready. Scheduled for 10/21/96. Two visits required.
330	Business	Unbundled loop conversion	10/28/96	4	Ameritech delayed cut to 6:45 P.M.
537	Professional firm	CENTREX conversion	11/11/96	5	Customer did not provide access until 6:45. Ameritech did not cut until 8:45 A.m.; cut was scheduled for 7:00 A.M.
536	Mortgage company	Unbundled loop conversion	11/11/96	18	Ameritech postponed cut. MFS lost customer because of delay.
545	Auto dealership	CENTREX conversion	11/15/96	48	Ameritech cable trouble on 3 trunks. Worked with Ameritech to resolve problems.

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	Ext	iibit	1

Job	Customer (type at business)	Description of Work	Cut Date	Trunks	Cutover Problem
526	Business	Unbundled loop conversion	11/21/96	11	Ameritech not ready on 10/31/96. Re-scheduled for 11/21/96. Two premises visits required.
557	Business	CENTREX conversion	11/22/96	17	Ameritech had dead trunk.
554	Financial services co.	Unbundled loop conversion	11/25/96	5	Ameritech transposed 4th and 5th line assignments. 2nd and 3rd open NDT. Incoming calls effected for much of the business day.
562	Financial services co.	Unbundled loop conversion	11/25/96	3	Ameritech did not program "Assumed Dial 9".
565	Furniture repair co.	CENTREX conversion	11/26/96	3	Ameritech did not program 900/976 Blocking.
716	Construction co.	Test circuits	11/27/96		Ameritech tested one line and indicated test OK. We later found out that Ameritech tested wrong circuit.
715	Club	Test circuits	11/27/96		Ameritech cross-connects wired wrong.
569	Hotel	Unbundled loop conversion	12/3/96	4	Ameritech did not have order. Job did not cut until 12:00 P.M.
582	Professional firm	Unbundled loop conversion	12/12/96	7	No dial tone on one trunk. Refer to Ameritech, cable trouble.
585	Business	Unbundled loop conversion	12/13/96	4	Ameritech had lines were transposed at DEMARC.
593	Consulting firm	CENTREX conversion	12/19/96	7	Ameritech had old numbers forwarded to the wrong exchange.
721	Pipe co.	Test circuits	12/20/96		Ameritech slick problems
599	Realtor	CENTREX conversion	12/23/96	35	Ameritech did not program RCF. Could not call out. Ameritech problems all day. Customer's service not working until 3:00 P.M.
600	Business	Unbundled loop conversion	12/30/96	9	Ameritech jumpers on 1st & 2nd line reversed. Corrected on site.

Joh	Customer (type of business)	Description of Work	Cut Date	Trunks	Cutover Problem
607	Business	Unbundled loop conversion	1/6/97	11	Ameritech was unable to cut the system because the Switch Tech had the flu. Ameritech CO ran the new jumpers after cut was rescheduled. Customer's PBX programmed wrong and required cross-connect work. MFS software for trunk hunting and 911 was wrong.
811	Manufacturer	Site survey	1/6/97	1	Trunk is slow in providing "dial tone". It takes approximately 1 sec to start.
592	Business	Unbundled loop conversion	1/6/97	63	Cut was scheduled for 5:00 P.M. Did not start until 9:30 P.M. Ameritech delay.
70003	Business	Test circuits	1/7/97		No dial tone at Ameritech DMARC. Log Ameritech repair case.
606	Radio station	Unbundled loop conversion	1/10/97	29	Ameritech did not cross-connect several trunks correctly. Repair trip required to verify trunks.
618	Steel co.	Unbundled loop conversion	1/10/97	7	Ameritech transposed trunk numbers and jumpers.
619	Business	Unbundled loop conversion	1/14/97	6	Ameritech delayed cut until 1/14/97. They did not schedule Switch Tech.
620	Property maintenance co.	CENTREX conversion	1/14/97	9	Ameritech did not program 911 service to correct location.
636	Business	Unbundled loop conversion	1/21/97	14	Ameritech did not program Number Retention. Customer out of service for 1 hour. Four trunks not working in customer group. Customer calls hunted to these trunks. Ameritech Tech did not arrive on site until 12:30 p.m.
70006	Service co.	Test circuits	1/23/97		First trunk had polarity reversal. Reversed wire to correct problem. One number can not be dialed by any trunk. MFS programming problem.

Job	Customer (type of business)	Description of Work	Cut Date	Frunks	Cutover Problem
70007	Service co.	Test circuits	1/23/97		No dial tone at DMARC. Refer to Ameritech for cable trouble
641	Mfg. co.	Unbundled loop conversion	1/27/97	19	Ameritech did not install 4 of the trunks. Missed due date.
50046	Plastics manufacturer	Unbundled loop conversion	1/28/97	12	Ameritech cut service at 12:30 P.M. Scheduled for 6:00 P.M. Ameritech told customer that it was MFS. DMARC wires spliced together and terminated incorrectly by Ameritech or CPE Vendor.
50051	Business	Unbundled loop conversion	1/30/97	4	Ameritech's computer and the software was not complete. Ameritech will verify two trunks when computer is operational.
70010	Business	Test circuits	2/4/97	2	Found two trunks not working
70012	Business	Test circuits	2/5/97	5	New lines were to be installed by Ameritech. Service was not established on 5 trunks. Ameritech did not complete order.
50070	Consulting firm	Unbundled loop conversion	2/6/97	2	Ameritech did not install 2nd trunk. Additional premises visit required.
50071	Dentist	CENTREX conversion	2/7/97	4	Ameritech converted the first trunk but did not install the new trunk.
70014	Business	Test circuits	2/7/97		One trunk is not working at DMARC as indicated by Ameritech. Checked FAX line: Ameritech has a different line working in it's place.
640	Engineering co.	Unbundled loop conversion	2/12/97	35	Cut had to be re-scheduled. Ameritech discovered that there was MFT's on all trunks. FAX and modems were in a slick. No problems with 2/12/97 cutover. CPE Tech, Ameritech Tech, and MFS Tech on site for cutover
50085	Business	Unbundled loop conversion	2/17/97	4	Number retention was not programmed at cut. Ameritech corrected problem in 30 minutes.

Job	Customer (type of business)	Description of Work	Cut Date	Frunks	Cutover Problem
50091	Church	CENTREX conversion	2/21/97	15	Ameritech was unable to provide Dial Tone for 7 trunks. Customer out of service until Sat. 2/22/97.
70019	Business	Test circuits	2/21/97		Two trunks dead. Referred to Ameritech.
70021	Church	Test circuits	2/21/97		Ameritech did not provide Dial Tone. Refer to Ameritech repair.
50088	Business	Unbundled loop conversion	2/27/97	29	Ameritech did not install new circuits for 2/25/97 cutover. Conversion had to be delayed. Customer was out of service from 6:00 P.M. to 9:00 P.M. Ameritech did not have 5 circuits working for 2/27 cut.
50111	Business	CENTREX conversion	3/3/97	8	Not able to place outgoing calls and wrong PIC.
50112	Industrial co.	Unbundled loop conversion	3/4/97	59	Incorrect jumpers.
70024	Business	Test circuits	3/6/97		No dial tone. Ameritech cable problems.
50127	Professional firm	Unbundled loop conversion	3/14/97	39	Ameritech not ready for cut. Cable trouble and jumpers incorrect.
50138	Technology co.	CENTREX conversion	3/17/97	1	Call forwarding not programmed. Unable to contact Ameritech.
50144	Wireless communi- cations co.	CENTREX conversion	3/19/97	3	Second line disconnected by Ameritech at 9:30 A.M. Programming problems; Call waiting, call transfer, etc.
50165	Health clinic	CENTREX conversion	3/21/97	10	Cable problem for trunk.
50161	Health clinic	Unbundled loop conversion	3/21/97	3	Severe "Static" on line.
50151	Industrial mfr.	Additional trunks	3/21/97	5	No dial tone on any of the new trunks. Refer to MFS to work with Ameritech.

Job	Customer (type of business)	Description of Work	Cut Date	Trunks	Cutover Problem
501168	Sportswear retailer	Additional trunks	3/26/97	10	Cut was delayed because Ameritech did not have Techs. Cut began at 8:15 A.M. Call Forwarding not working. One number was programmed in "810" area code rather than "313".
50154	Advertising co.	CENTREX conversion	3/26/97	10	Ameritech had dial tone on only 1 trunk. Order due 3/26.
50123	Metal finishing co.	Unbundled loop conversion	3/31/97	13	MFS delay cut from 3/20/97 because of programming errors. On re-scheduled cutover, 3/31/97. Ameritech missed 5 lines on the conversion. Service not working until 12:30 P.M.
50179	Florist	CENTREX conversion	3/31/97	3	Intermittent "Dial Tone" on al trunks. Problems not cleared until 12:00 P.M.
50125	Professional firm	Unbundled loop conversion	4/11/97	28	Service cut at 6:00 A.M. instead of 6:00 P.M.
70044	Construction co.	Test circuits	4/16/97		Heavy static on 4 trunks.
70060	Marketing co.	Resale Conversion	5/7/97	50	First trunk is touch-tone. The other 49 are rotary.
50219	Business	Resale Conversion	5/9/97	28	Trunk hunting and CFV problems
50222	Business	CENTREX conversion	5/13/97	16	One trunk was ringing open. Ticket sent to Ameritech.

TOTAL JOBS -- 68

Exhibit 2



Sandy Berboom Asseunt Manager 2,2500 Morphyselem Hug. Room ELL 113 Southfield, MI 48075 Pirong: 810423-5215, Fax: 810423-5313

January 6, 1997

Mr. Jim House O/E Systems, Inc. Troy, Michigan Via Fax: 643-7882

Dear Jim:

Attached are the charts that show what exchanges are local, zone or toll calls when dialed from your office. In case you are unable to read it, here is a summary of these areas, based on the exchanges listed.

The exchange that serves your location is the Birmingham Exchange. You may make calls to all other Birmingham exchanges as a local call. These exchanges are:

258	285	433	540	614	637	641	642	643
644	645	646	647	648	696	816	901	952

Calls to the following exchange areas are also considered local calls. These areas include: Troy, Medison Heights, West Bloomfield, Bloomfield Hills, Southfield, Royal Oak, Pontiac, Aubum Hills, Rochester Hills, and more. These areas include the following partial list of exchanges:

244	253	262	280	288	299	304	320	332	
333	334	335	338	339	340	350	351	352	
353	354	355	356	357	358	382	370	373	
377	3B1	398	399	414	423	424	435	443	
452	458	472	500	501	524	528	530	589	
541	542	543	544	545	548	547	548	549	
551	552	557	559	588	578	578	583	585	
588	589	597	604	616	619	628	830	561	
680	681	682	683	680	691	737	738	740	
746	788	799	827	828	851	852	863	855	
857	858	878	902	903	929	932	948	967	888

Therefore, calls to all exchanges listed above would be considered a Local Call by Ameritach, and are billed at the current rate of \$0.0842 per call. Calls to

Commenter: WorldCom, Inc.
Applicant: Ameritech

State: Michigan Date: June 10, 1997 Exhibit 2

- continued -

exchanges not fisted here would be considered as either zone calls or intraLATA toll calls, and would be billed at either WATS Plus or Value Link Plus rates.

My conclusion is that MFS' local calling area does not equal Ameritech's local calling area for your location, and that their service could cost you three times as much (based on an average call) for the same service provided by Ameritech.

Therefore, any savings that they may have shown you regarding local calls would need to be adjusted since their local calling area is minute compared to Ameritech's. And since you are making over 14,000 local calls per month, this could amount to a very large difference between proposed savings and actual savings (or loss).

As you know, Jim, cost isn't everything. Ameritach has been providing your company with quality communications services since it began. No other company can provide you with the products and services that Ameritach can. Companies such as MFS are only interested in niche markets/locations and "cream skimming," and not in total service. Because of this, many of their offerings depend on our network, and you can end up with multiple vendors to deliver a service that Ameritach could have provided alone. I do understand the two advantages that they had over us at your \$290 location; however, I don't want you to underestimate the total value solution that Ameritach provides with our network, people and experience.

Thank you for allowing Ameritech to serve your communications needs and for taking the time to review this information. We take great pride in our company, and the products we offer. We value each and every Ameritech customer and will do all it takes to keep our customers satisfied. Please call me if you have any questions or if I can be of any assistance.

Sincerely,

Sandra L. Barbosa Account Manager

rulu Barbosa

Commenter: WorldCom, Inc.

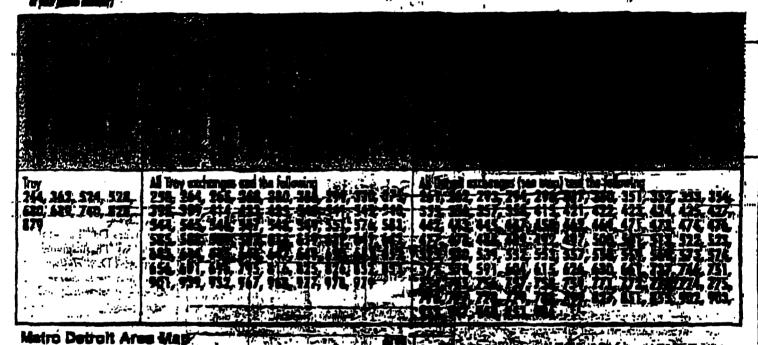
Applicant: Ameritech State: Michigan Date: June 10, 1997

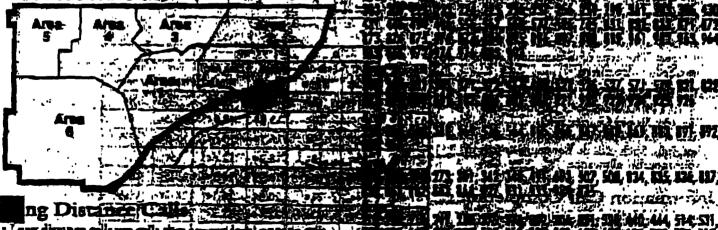
Exhibit 2

LOCAL, ZONE AND LONG DISTANCE CALLS

If you are

These are local calls





- · To call within your EAL D
- . To call outside your LATA Disk 1
- . To call tail free numbers, Disk 800 +

Commenter: WorldCom, Inc. Applicant: Ameritech

State: Michigan Date: June 10, 1997

Exhibit 2

LOCAL, ZONE AND LONG DISTANCE CALLS

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Lean of Live hilled one month is allow level.

are hillipping the user minorale.

These are zone cold with the

West Comfield 539, 626, 661, 737, 788, 851, 855, 922 370 Miles 2 Million 1975 1981 1981

Continued on next pay

Commenter: WorldCom, In-Applicant: Ameritec

plicant: Ameritec State: Michiga

Date: June 10, 199
Exhibit



20000 Evergreen Rd. + P.O. Box 2055 - Southfield, M. 48037 2055

October 21, 1996

Mr. John Strand
Chairman
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, Michigan 48909

Dear Mr. Strand,

The City of Southfield recently communicated with Mr. William Calio, Director of the Communications Division regarding a serious problem we were encountering with the E911 database. In response to our correspondence, Ameritech drafted what was represented to be an action plan and time line to address the concerns we articulated. The first commitment, to correct the names and addresses of all affected end users in TCG's 810/204 exchange was to be completed by October 1, 1996.

Unfortunately, Ameritech skilled to meet the stated commitment, this became apparent on October 12, 1996, when an in-progress shooting at an office building was reported via the 911 system. Our frantic callers remembered to dial 911, however, their calls were all classified as "Record Not Found" and many were default routed to the Oakland County Sheriff's Department. The end users were Teleport customers calling from (810) 204-1123. This incident occurred twelve days after the target date established by Ameritech to resolve the problem. It is unacceptable to jeopardize public safety as Ameritech struggles to integrate their network with their competitors.

The City of Southfield is hereby registering an official complaint against Ameritoris given their demonstrated unwillingness to rectify this critical issue. Further, it is clear that we cannot accept a target date of December to address similar issues with the other resellers. We saw the worst case scenario play itself out, as terrified individuals relied on our highly touted 911 system, in their most desperate muments, only to encounter a system failure.

Mayor Donald Y. Processi

:

Council President Eli E. Robinson City Clock Mary A. Mynuser City Council

Roman J. Grunktowski

city Administrator Miter R. Hock

Commenter: WorldCom, Inc.

Applicant: Ameritech State: Michigan

Date: June 10, 1997 Exhibit 3

October 21, 1996 Mr. John Strand Page 2

We look forward to aggressive action from the Commission to address this problem. Southfield staff continues to be available to provide additional details and testimony to clarify the significance and magnitude of this urgent public safety concern.

City Administrator

ca: Senator Gary Peters, 14th District

James Bolger, Chairman, Emergency Telephone Services Committee

Emergency Talephone Services Committee

HOGAN & HARTSON L.L.P.

Commenter: WorldCom, Inc. Applicant: Ameritech State: Michigan Date: June 10, 1997

Exhibit 4

COLUMBIA SQUARE 555 THIRTEENTH STREET, NW WASHINGTON, DC 20004-1109

TEL (202) 637-5600 FAX (202) 637-5910

LINDA L. OLIVER PARTNER DIRECT DIAL (202) 637-6527

May 23, 1997

BY HAND DELIVERY

Mr. William F. Caton **Acting Secretary** Federal Communications Commission 1919 M Street. N.W. Room 222 Washington, D.C. 20554

Ex Parte Correspondence in CC Docket No. 96-98

and CC Docket No. 97-137

Dear Mr. Caton:

In response to a staff request, WorldCom, Inc., hereby addresses arguments made by Ameritech in the referenced dockets regarding the use of shared/common transport as part of the purchase of network elements in a platform configuration. 1/

Specifically, we address the following arguments: (1) that when unbundled local switching is employed in combination with the shared use of the incumbent local exchange carrier's ("ILEC's") interoffice transport network ("shared" or "common" transport) 2/, such use of unbundled elements is

We have not had the opportunity yet to obtain and review the application for Section 271 authority filed by Ameritech on May 21 in CC Docket 97-137. This letter is filed in that docket as well to the extent it is relevant to the issues raised by that application.

For purposes of this letter, we use the term "common transport" as shorthand to refer to the shared use of Ameritech's interoffice transport network. The term "shared" transport often is used interchangeably with "common" transport, and is the term used by the Commission in the Interconnection Order. See, e.g., Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, 11 FCC Rcd 15499, 15718. ¶ 440 (1996) ("Interconnection Order"), pets. for review pending sub nom. Iowa

Commenter: WorldCom, Inc. Applicant: Ameritech State: Michigan Date: June 10, 1997 Exhibit 4

equivalent to the resale of retail local exchange service under Section 251(c)(4) of the Act; and (2) that investment in competitive local exchange facilities will be discouraged if the platform configuration described above is made available.

Attached to this letter, we also provide, for the record, documentation that shows that other Regional Bell Operating Companies ("RBOCs") in fact have indicated their willingness to make available at least some form of common transport as an unbundled network element.

I. Background

Requesting carriers have the statutory right to purchase ILEC network elements in any configuration or combination, in a manner that is as efficient as the way the ILEC itself uses those network elements, and on the same cost basis as the ILEC. Ameritech has sought to defeat this right by denying requesting carriers the right to purchase, as an unbundled network element, the use of the common interoffice transmission network in the same manner that Ameritech uses that network. Ameritech would accomplish this by denying requesting carriers the ability to employ the existing routing instructions resident in each end office switch to route traffic over the common transport network that Ameritech uses for transport of its own traffic.

Instead, Ameritech would force entrants to construct a virtual, duplicate interoffice network by requiring entrants purchasing unbundled local switching to create their own customized routing instructions for each end office switch and to obtain dedicated transport facilities from each end office (or provide their own). Ameritech's approach completely denies entrants the ability to share Ameritech's interoffice transmission facilities as required by the Act. Every other network element must be shared -- including the end office switch. Ameritech cannot justify carving out the interoffice part of its network and refusing to permit nondiscriminatory access to it.

Ameritech's approach also deprives requesting carriers of the ability to use the Ameritech network as it currently is configured -- with the existing routing algorithms in the switch acting to route traffic over the existing interoffice transmission network -- and thereby separates network elements

<u>Utilities Board v. FCC</u>, No. 96-3321 (8th Cir.). <u>See also id.</u>, 11 FCC Rcd at 15631, ¶ 258 (referring explicitly to "common transport" network element). However, because Ameritech has defined "shared transport" as a dedicated facility that more than one CLEC can share (but not with Ameritech), we here use the term "common transport."

Commenter: WorldCom, Inc. Applicant: Ameritech State: Michigan Date: June 10, 1997

Exhibit 4

that Ameriech currently combines, in violation of the FCC's rule that prohibits such separation except upon request. 3/

The entire thrust of Section 251(c)(3) is to enable local exchange competition quickly to proceed while carriers construct new local exchange facilities as they are economically justified. Congress recognized that it would take time to construct alternate local networks to duplicate the ILEC network, and that in order to successfully compete, new entrants would need to be able to employ existing ILEC networks in the meantime, taking advantage of the economies of scale that already exist in those networks. 4/

WorldCom has already discussed these points in detail in an April 16, 1997, ex parte filing in CC Docket No. 96-98, and in its comments in that docket filed last year. In this filing, we focus on the two specific questions to which the staff requested responses.

> II. Use of unbundled loops, switching and shared transport in combination is not the same as resale of retail local exchange service.

The FCC's August 8 Interconnection Order addressed and squarely rejected arguments that network elements purchased in combination are equivalent to retail local exchange services under Section 251(c)(4). 5/ The plain language of Section 251(c)(3) requires incumbent LECs to permit requesting carriers to combine network elements. 6/ The mere act of combining elements does not convert network capability into a retail service offering, as the Commission also correctly concluded in the Interconnection Order. 7/ In that

^{3/} 47 C.F.R. § 51.315(b) ("Except upon request, an incumbent LEC shall not separate requested network elements that the incumbent LEC currently combines.")

^{4/} "The incumbent LECs have economies of density, connectivity, and scale; the local competition provisions of the Act require that these economies be shared with entrants." Interconnection Order, 11 FCC Rcd at 15508-09, ¶ 11. 🐒

^{5/} Interconnection Order, 11 FCC Rcd at 15666-71, ¶¶ 328-41. This legal question is before the Eighth Circuit Court of Appeals for review.

^{6/} 47 U.S.C. § 251(c)(3).

<u>7</u>/ Interconnection Order, 11 FCC Rcd at 15666-71, ¶¶ 328-41.

Commenter: WorldCom, Inc.
Applicant: Ameritech
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Exhibit 4

order the Commission also exhaustively detailed the many differences between resale of retail offerings, on the one hand, and the use of combinations of network elements to *create* competing retail offerings, on the other. 8/

There is nothing about the use of common transport as a network element that would alter these fundamental conclusions. Shared use of Ameritech's interoffice transport network capability is no different than shared use of local switching or other network elements. Purchasers of other elements share, for example, the same switches, the same signaling network, the same databases, and the same operator services, that Ameritech uses. Ameritech nevertheless attempts to isolate the interoffice network capability and deny others the ability to share it. As we discuss below, Ameritech appears to be unique among the RBOCs in its steadfast refusal to provide common transport as an unbundled element.

At bottom, Ameritech is attacking the Commission's prior conclusion that the Act guarantees competitors the ability to purchase, pursuant to Section 251(c)(3), all network elements necessary to provide local exchange and exchange access service, rather than being deprived of this option and relegated only to reselling the incumbent LEC's retail offerings under Section 251(c)(4). That conclusion was correct and well-supported, and remains the same regardless of whether requesting carriers have chosen to employ common or dedicated transport.

The following are among the capabilities competitors have when employing network elements in combination that simply are not available to carriers reselling ILEC retail offerings:

- 1. Competitors can create their own retail service offerings, and are not bound to the design, pricing, timing, packaging, and scope of the incumbent LEC's retail services. Competition can occur across all these parameters. Resellers, in contrast, can do little more than mimic the ILEC's retail offerings because they are bound, as a practical matter, by all the above parameters as defined by the ILEC's retail offerings.
- 2. Competitors purchasing network elements are able to provide the full range of services over those elements that the ILEC can provide, including both retail local exchange and exchange access services. Resellers, in

^{8/} Interconnection Order, 11 FCC Rcd at 15667-68, ¶¶ 332-34. Accord, Access Charge Reform, CC Docket No. 96-262, First Report and Order, FCC 97-158, ¶ 340 (released May 16, 1997) ("Access Reform Order").

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Commenter: WorldCom, Inc.
Applicant: Ameritech
State: Michigan
Date: June 10, 1997
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contrast, are restricted by the nature of the ILEC's retail offerings and are not able to provide exchange access or exert any competitive pressure on access rates.

- 3. Competitors pay the full cost of the network components, and in turn recover those costs in their retail and exchange access offerings, just as the ILEC does. End user customers, in turn, will benefit from the price competition and service design competition made possible when the carrier is paying the actual cost of the underlying facilities. Resellers, in contrast, are limited to buying and reselling existing retail services, which are priced without any necessary relationship to the cost of the underlying network facilities.
- 4. Because purchasers of network elements are paying the actual cost of those facilities, they can create price pressure on services that today are often priced above cost, such as exchange access and vertical services. The Commission recognized that combinations of unbundled elements can create such market pressures on access rates in its recent decision in the Access Reform docket. 9/ Without such market pressures, prescriptive measures would be necessary to bring access rates to cost. By contrast, when resellers purchase local exchange service at a wholesale discount and resell it to their customers, the ILECs continue to provide the exchange access that enables interexchange carriers ("IXCs") to serve those customers.
- 5. Purchasers of network elements, including combinations of network elements, are considered to have their own facilities for purposes of eligibility for universal service support, unlike resellers of retail local exchange services. The Commission made this clear in its recent decision in the Universal Service docket. 10/
- 6. Pricing of network elements at cost is essential in order to send the correct investment signals to entrants. By denying entrants the ability to employ the existing ILEC interoffice network in an efficient manner, Ameritech would force entrants either to make inefficient and costly use of Ameritech's dedicated interoffice facilities, or to make uneconomic investments in competing facilities. As a practical matter, neither of these options, because of their high cost and inefficiency, is likely to make the platform configuration viable as a business matter.

^{9/} Access Reform Order, ¶¶ 337-340.

^{10/} Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 97-157, ¶¶ 154-68 (released May 8, 1997).

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7. The availability of network elements that can each gradually be replaced by a competitor's own facilities actually encourages new construction. It makes possible business plans that show breakeven sooner than any resale-plus-facilities-construction-only plans. Better business plans will attract more investment capital.

In contrast to network elements, resale provides a simpler entry option, and is useful for carriers that do not seek to design their own retail service offerings, to function as access providers, or to undertake the other obligations and risks associated with the purchase of unbundled network elements. For example, resellers do not have to create arrangements for billing interexchange carriers for access, and do not have to ensure that the rates for the services offered will cover the cost of the network elements ordered, as do purchasers of unbundled elements in combination. Resale therefore remains a useful option with distinct advantages and disadvantages compared with the option of entry via a combination of network elements. Service provision over a combination of network elements, however, while more complex than resale, gives requesting carriers a more powerful platform that provides a more comprehensive basis for full-service competition with the ILECs.

In sum, combinations of network elements provide entrants an entirely different competitive entry strategy than resale. Making common transport available as a network element in no way changes this fact.

III. The availability of a cost-based network element combination will not discourage investment in competitive local exchange networks.

Congress's decision to require ILECs to offer unbundled elements at reasonable, cost-based rates is not likely to inhibit facilities investment by competitive local exchange carriers ("CLECs"). Rather, that requirement is designed to ensure that the correct economic signals are sent to carriers seeking to invest in network facilities, and to make efficient use of the existing network. The FCC recognized the importance of this requirement when it adopted TELRIC pricing for unbundled elements. 11/ If the ILEC network elements are priced above their true economic cost, investors will be unwilling to finance above-cost construction by competitors of facilities that are used to compete with the ILEC services that are provided over the ILEC network. Capital therefore is unlikely to be available for such above-cost investment, even if it were justifiable from an economic point of view.

^{11/} Interconnection Order, 11 FCC Rcd at 15844, ¶ 672.

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The fact remains that most CLECs would prefer to provide service over their own facilities rather than relying on their principal competitor, the ILEC. Reliance on a competitor for critical facilities creates significant business risks, including the risk of poor service quality and price increases. While the Act guards against these risks, it always is preferable where possible not to depend on the network of one's competitor and to have control over one's network. WorldCom's experience, and that of other CLECs, has been that operational and other issues make dependence on the ILEC network difficult and undesirable.

WorldCom's own experience provides vivid demonstration for this proposition. A few weeks after the FCC's August 8, 1996, interconnection decision, WorldCom announced the 12 billion dollar acquisition of MFS Communications, a leading facilities-based competitive local exchange carrier. WorldCom realized that, despite the important opportunity to purchase cost-based network elements from ILECs guaranteed by the Act and by the Commission's order, in the long term it would be better to own local network facilities to the maximum extent possible. During 1997 and the following years, moreover, WorldCom has definite plans to invest hundreds of millions of dollars to expand its existing local networks and to deploy network facilities in new markets. Twelve additional domestic cities are targeted for co-carrier facilities-based implementation by WorldCom between second quarter 1997 and second quarter 1998. WorldCom expects these plans to go forward regardless of the outcome of legal disputes regarding unbundled elements because of its interest in operating its own local network facilities as much as possible.

WorldCom thus intends to use the ILECs' unbundled network elements primarily as a transitional strategy, while it deploys its own local network facilities to the greatest extent possible. The availability of all network elements in combination is essential, however, to promotion of facilities construction, as discussed above at page 6. Unbundled network elements therefore will remain an important part of WorldCom's business strategy in the future -- particularly with respect to local telephone company facilities that are especially costly to duplicate. Yet the availability of those elements will not affect its overall plans for network investment.

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As required by 1.1206(a)(1) of the Commission's rules, two copies of this Notice are being submitted to the Secretary.

Sincerely,

Linda L. Oliver David L. Sieradzki

Counsel for WorldCom, Inc.

Catherine R. Sloan

Vice President, Federal Affairs

Catherine R. Sloan,

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APPENDIX

Common/Shared Transport Offerings of Other BOCs

The following are examples of instances in which other RBOCs have indicated their willingness to make available, either in Statements of Generally Available Terms and Conditions ("SGATs") that have been filed with State commissions 1/ or in Section 252 Interconnection Agreements, common transport as an unbundled network element. (WorldCom does not necessarily endorse these provisions of these SGATs and agreements as fully compliant with the Act and the Commission's rules; we simply note that, unlike Ameritech, these carriers include a common transport unbundled network element.) We have attached copies of relevant pages of the documents referred to below.

1. Bell Atlantic/NYNEX

- a. Bell Atlantic (Pennsylvania): "BA shall provide Requesting CLEC local transport from the trunk side of BA's Central Office Switches unbundled from switching, unbundled interoffice transmission facilities, and other services in accordance with the terms and conditions specified herein and in applicable BA Tariffs." Bell Atlantic Statement of Generally Available Terms and Conditions, Pa. PUC at p.25, § 11.7 (filed April 3. 1997); see also id., Exh. A at 2 (providing rates for "common transport").
- b. NYNEX (New York): "The Telephone Company provides Unbundled Transport between the following points: 1. Unbundled Common Transport between Telephone Company central offices." Petition of New York Telephone Co. for Approval of its Statement of Generally Available Terms & Conditions Pursuant to Section 252 of the Telecommunications Act of 1996, PSC Case No. 94-C-0095 and 97-C-0271, SGAT § 5.3.1 (filed Feb. 13, 1997); see also id. at p. 5-23, § 5.3.4.

^{1/} In some cases, the SGATs may not have become effective, either because they were rejected or have been withdrawn to be refiled at a subsequent time.

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2. BellSouth

a. BellSouth (Kentucky): "Common Transport. Common transport is a shared transmission path used for the traffic of multiple carriers. Common transport is available between BellSouth end offices and between BellSouth end offices and BellSouth tandem switches." Statement of Generally Available Terms and Conditions for Interconnection, Unbundling and Resale Provided by BellSouth Telecommunications, Inc. in the State of Kentucky, p. 11 (1997); see also id., Att. C, pp.14-15, §§ 7.1-7.2 & Fig. 2.

b. BellSouth (Georgia): "Common transport is available between BellSouth end offices and between BellSouth end offices and BellSouth tandem switches." Statement of Generally Available Terms and Conditions for Interconnection, Unbundling and Resale Provided by BellSouth Telecommunications, Inc. in the State of Georgia, p. 10 (1997); see also id., Att. C, pp. 14-15, § 7.1 & Fig. 2.

3. SBC

a. Pacific Bell (California):

"Common Transport: Common transport will be available between PACIFIC End Offices and PACIFIC's Tandem Switch and either Party's connecting End Office, Tandem Switches or designated POI [(point of interconnection)]." Agreement between Pacific Bell and AT&T Communications of California, Inc., Att. 6, p.17 (effective Dec. 19, 1996).

"Shared Interoffice Transport: Shared transport will only be available where CLC purchases LSNE [local switching network element]. Shared transport provides call termination from a PACIFIC end office where LSNE is purchased and the terminating PACIFIC end office or POI where the call leaves PACIFIC's network." Application of Pacific Bell (U 1001 C) for Approval of its Statement of Generally Available Terms for Interconnection and Access, SGAT, Att. 6, § 5.1.4 (Cal. PUC, filed Feb. 19, 1997).

b. Southwestern Bell (Oklahoma): "Common Transport is a shared interoffice transmission path between SWBT switches. Common Transport will permit LSP to connect its Unbundled Local Switching element purchased from SWBT with Common Transport to transport the local call dialed by the Unbundled Local Switching element to its destination through the use of SWBT's common transport network."